



Memorandum

OFFICE OF INSPECTOR GENERAL

DATE: June 10, 2005
REPLY TO:
ATTN OF: IG-34 (A04SC042) Audit Report No.: OAS-L-05-07
SUBJECT: The Department of Energy's Annual Report to Congress on Management and Operating Contractor Employees in the Washington, D.C. Area
TO: Director, Office of Management, Budget and Evaluation/Chief Financial Officer, ME-1

INTRODUCTION AND OBJECTIVE

The Department of Energy (Department) frequently assigns management and operating (M&O) and other facility contractor employees to the Washington, D.C. area to satisfy critical technical and direct support needs of various Headquarters program offices. In an effort to control the number of these contractor employees, Congress requires the Department to track, evaluate, and report the number and cost of such assignments each year as of September 30. Congress included language in Report 108-554 accompanying the House Energy and Water Development Appropriations Bill, Fiscal Year (FY) 2005, directing the Office of Inspector General to review the Department's FY 2004 report. In response to that direction, we initiated this audit to determine whether the Department's FY 2004 report was accurate. The audit methodology is described in an attachment to this report.

CONCLUSION AND OBSERVATIONS

Nothing came to our attention to indicate that the Department's FY 2004 report to Congress on *Management and Operating Contractor Employees in the Washington Metropolitan Area* as of September 30, 2004, was materially inaccurate.

Based on our testing at Headquarters and work at eight of the Department's major contractors, we identified only two employees and one office space lease that were not being properly tracked. The Department took immediate action to add one of the employees to its tracking database, initiated action to recover costs for the remaining individual that the M&O contractor assigned to the area without authorization, and added the lease information to its 2004 report. At our request, the Department also added several footnotes to its report that we believed were necessary to provide complete disclosure regarding certain facility contractor employees assigned to the Washington, D.C. area to satisfy specific contract requirements.

While not impacting the accuracy of the year-end report, we noted several opportunities to improve the quality and accuracy of assignment tracking information. In particular, we observed that the Department lacked the information necessary to report on assignments that ended prior to year end because its tracking database did not maintain historical data. Because of this limitation, contractor employees assigned to the area for periods of up to eleven months were not reflected in the annual report. Our testing, for example, identified five employees that were not included in the year-end report because their assignment ended before the end of the fiscal year. Two of the employees that were not reported were assigned to the area for 11 months at a total cost of about \$748,000. After our audit was completed, Department officials informed us that they had initiated action to modify the tracking database to add the needed capability.

Accuracy of the Department's assignment tracking database could also be improved by ensuring that sponsoring organizations update it as required by DOE Order 350.2a, *Use of Management and Operating or Other Facility Management Contractor Employees for Services to DOE in the Washington, D.C., Area*. Based on inquiries of program officials and our reviews of selected assignments, we noted, for example, that Environmental Management did not remove three contractor employees from the database for almost a year after they left. Seven other employees associated with multiple programs with start dates as early as November 1, 2003, through June 1, 2004 were not included in the database until September 2004.

SUGGESTED ACTIONS

To improve the accuracy of the information contained in the Department's tracking database, we suggest that the Director, Office of Management, Budget and Evaluation/Chief Financial Officer ensure that:

- 1) Action to modify the tracking database to permit the retention of historical information on employees assigned to Washington, D.C. area throughout the year is completed; and,
- 2) Sponsoring organizations update the tracking database as required.

During the course of this review we also noted certain matters related to the economic and efficient use or assignment of M&O contractor employees by various program offices. We are continuing our evaluation in this area and may issue a separate report on these matters.

We appreciate the cooperation of your staff during this review. Since this report contains no recommendations, a formal response is not required.



Rickey R. Hass, Director
Science, Energy, Technology,
and Financial Audits
Office of Audit Services
Office of Inspector General

Attachment

cc: Director, Policy and Internal Controls Management, NA-66
Team Leader, Audit Liaison, ME-100
Audit Liaison, SC-67
Audit Liaison, EM-33

OBJECTIVE

To determine whether the Department's FY 2004 report was accurate.

SCOPE

The audit was performed between August 2004 and June 2005 at Department Headquarters and included selected Department sites. We performed a review of selected contractor's current assignments to the Washington, DC area.

METHODOLOGY

To accomplish our audit objective, we:

- Reviewed applicable laws and regulations pertaining to facility contractor assignments to the Washington, DC area;
- Reviewed prior audits pertaining to facility contractor assignments to the Washington, DC area;
- Reviewed program staffing plans and discussed the staffing plans with program offices;
- Obtained listings of current assignments to the Washington, DC area from eight of the Department's major contractors and compared those listings to the Facility Contractor Database;
- Reviewed payroll records and travel vouchers at two major contractors;
- Discussed processes for assigning facility contractors to the Washington, DC area with program officials and contractors; and,
- Reviewed the Fiscal Year 2004 report to Congress on the number of facility contractors in the Washington, DC area.

This audit was conducted in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. As part of our ongoing effort to assess the Department's compliance with the *Government Performance and Results Act*, we attempted to identify performance measures or goals applicable to facility contractor assignments to the

Washington, DC area. Our review disclosed that the Department had not developed specific measures in this area. We relied on limited computer processed data to accomplish the audit objective. Where appropriate, we performed tests of data reliability during the audit. When the test work identified weaknesses in data reliability, we performed alternate steps to validate the information sufficient to accomplish our audit objective.

We discussed the results of this audit with Department officials on June 7, 2005.

Memorandum

DATE: JUL 06 2005

REPLY TO:
ATTN OF: IG-34 (A04SC042)

SUBJECT: Final Report Package for Audit of "The Department of Energy's Annual Report to Congress on Management and Operating Contractor Employees in the Washington, DC Area"
Audit Report Number: OAS-L-05-07

TO: Linda J. Snider, Assistant Inspector General, Audit Planning and Administration

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 242.2
Actual Elapsed days: 295
2. Names of OIG and/or contractor audit staff:
Assistant Director: Kevin Majane
Team Leader: William Lubecke
Auditor-in-Charge: Michael Carney
3. Coordination with Investigations and Inspections:
Investigations: Reggie France
August 18, 2004
Inspections: Fatima Pashaei
August 23, 2004



Rickey R. Hass, Assistant
Inspector General
Financial, Technology,
and Corporate Audits
Office of Audit Services
Office of Inspector General

- Attachments:
1. Final Report
 2. Monetary Impact Report
 3. Audit Project Summary Report
 4. Audit Database Information Sheet

MONETARY IMPACT OF REPORT NO.: OAS-L-05-07

1. Title of Audit: "The Department of Energy's Annual Report to Congress on Management and Operating Contractor Employees in the Washington, DC Area"

2. Division: Science, Energy, Technology and Financial Audits

3. Project No.: A04SC042

4. Type of Audit:

Financial: _____	Performance: <u> X </u>
Financial Statement _____	Economy and Efficiency <u> X </u>
Financial Related _____	Program Results _____
Other (specify type): _____	

5.

FINDING		COST AVOIDANCE		QUESTIONED COSTS				MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	(D) Recurring Amount PerYear	(E) Questioned	(F) Unsup-ported	(G) Unre-solved	(H) Total (E)+(F)+(G)	(I) C=Concur N=Noncon U=Undec	(J) Y=Yes N=No
	N/A								
TOTALS--ALL FINDINGS									

6. Remarks: No recommendations were made that would lead to monetary savings.

7. Contractor: _____

10. Approvals:

8. Contract No.: _____

Division Director/Date: JLA 7/6/05

9. Task Order No.: _____

Technical Advisor & Date: SAW

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A04SC042
2. Title of Audit: The Department of Energy's Annual Report to Congress on Management and Operating Contractor Employees in the Washington, DC Area
3. Report No./Date: OAS-L-05-07/June 10, 2005
4. Management Challenge Area: 010
5. Presidential Mgmt Initiative: PA1
6. Secretary Priority/Initiative: N/A
7. Program Code: MA
8. Location/Sites: SEI
9. Finding Summary: N/A
10. Keywords:
 - Facility contractor employees
 - Management and Operating Contractor